

TOWNSHIP OF CLYDE
Allegan County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Clyde	County Allegan
Audit Date March 31, 2006	Opinion Date August 30, 2006	Date Accountant Report Submitted to State: August 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

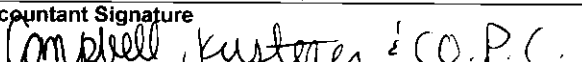
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature 		Zip 48707	

TOWNSHIP OF CLYDE
Allegan County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Other supporting information:	
General Fund Expenditures by Detailed Account	17-18
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	19

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

August 30, 2006

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Clyde
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Clyde, Allegan County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Clyde's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Clyde, Allegan County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CLYDE
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Clyde covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$1,271,435.97 for governmental activities.

Overall revenues were \$478,910.65 from governmental activities. Governmental activities had a \$137,407.26 increase in net assets.

We did not incur any new debt during the year and purchased \$126,531.00 in capital assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Perpetual Care Fund, and the Current Tax Collection Fund.

TOWNSHIP OF CLYDE
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased \$137,407.26 during the year ended March 31, 2006, totaling \$1,271,435.97.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund pays for most of the Township's governmental services with total expenditures of \$440,868.80.

Cemetery Fund: This fund is used to record revenues and expenses for maintaining and operating Pearl Cemetery.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$126,531.00 in capital assets.

The Township has no long-term debt as of March 31, 2006.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact Chris McKellips, Township Clerk, or Robert Larsen, Township Treasurer, during regular business hours.

TOWNSHIP OF CLYDE
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	851 575 09
Accounts receivable	1 997 60
Taxes receivable	<u>43 951 88</u>
Total Current Assets	<u>897 524 57</u>
NON-CURRENT ASSETS:	
Capital Assets	590 074 00
Less: Accumulated Depreciation	<u>(216 162 60)</u>
Total Non-current Assets	<u>373 911 40</u>
TOTAL ASSETS	<u><u>1 271 435 97</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	373 911 40
Unrestricted	<u>897 524 57</u>
Total Net Assets	<u>1 271 435 97</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 271 435 97</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	24 255 15	-	(24 255 15)
General government	100 057 05	22 019 94	(78 037 11)
Public safety	165 985 90	-	(165 985 90)
Public works	<u>51 205 29</u>	<u>14 693 04</u>	<u>(36 512 25)</u>
Total Governmental Activities	<u>341 503 39</u>	<u>36 712 98</u>	<u>(304 790 41)</u>
General Revenues:			
Property taxes			252 137 20
State revenue sharing			159 514 05
Interest			22 564 44
Miscellaneous			<u>7 981 98</u>
Total General Revenues			<u>442 197 67</u>
Change in net assets			137 407 26
Net assets, beginning of year			<u>1 134 028 71</u>
Net Assets, End of Year			<u>1 271 435 97</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	836 561 64	14 842 32	851 403 96
Accounts receivable	1 997 60	-	1 997 60
Taxes receivable	43 951 88	-	43 951 88
Due from other funds	<u>171 13</u>	<u>-</u>	<u>171 13</u>
Total Assets	<u>882 682 25</u>	<u>14 842 32</u>	<u>897 524 57</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>882 682 25</u>	<u>14 842 32</u>	<u>897 524 57</u>
Total fund equity	<u>882 682 25</u>	<u>14 842 32</u>	<u>897 524 57</u>
Total Liabilities and Fund Equity	<u>882 682 25</u>	<u>14 842 32</u>	<u>897 524 57</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	897 524 57
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	590 074 00
Accumulated depreciation	<u>(216 162 60)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 271 435 97</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	252 137 20	-	252 137 20
Licenses and permits	3 729 60	-	3 729 60
State revenue sharing	159 514 05	-	159 514 05
Charges for services – PTAF	18 290 34	-	18 290 34
Charges for services – other	13 093 00	400 00	13 493 00
Interest	22 250 93	313 51	22 564 44
Special assessments	1 200 04	-	1 200 04
Miscellaneous	7 981 98	-	7 981 98
Total revenues	<u>478 197 14</u>	<u>713 51</u>	<u>478 910 65</u>
Expenditures:			
Legislative:			
Township Board	24 255 15	-	24 255 15
General government:			
Supervisor	14 843 92	-	14 843 92
Elections	1 076 47	-	1 076 47
Assessor	22 775 23	-	22 775 23
Clerk	18 673 33	-	18 673 33
Board of Review	1 735 56	-	1 735 56
Treasurer	16 941 50	-	16 941 50
Building and grounds	10 009 80	-	10 009 80
Cemetery	8 206 16	-	8 206 16
Public safety:			
Ambulance	10 496 05	-	10 496 05
Fire protection	98 001 07	-	98 001 07
Police protection	16 056 53	-	16 056 53
Zoning inspector	5 419 86	-	5 419 86
Planning and zoning	14 641 88	-	14 641 88
Public works:			
Highways and streets	30 000 00	-	30 000 00
Street lights	1 803 48	-	1 803 48
Sanitation	19 401 81	-	19 401 81
Capital outlay	<u>126 531 00</u>	<u>-</u>	<u>126 531 00</u>
Total expenditures	<u>440 868 80</u>	<u>-</u>	<u>440 868 80</u>
Excess (deficiency) of revenues over expenditures	37 328 34	713 51	38 041 85
Fund balances, April 1	<u>845 353 91</u>	<u>14 128 81</u>	<u>859 482 72</u>
Fund Balances, March 31	<u><u>882 682 25</u></u>	<u><u>14 842 32</u></u>	<u><u>897 524 57</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 38 041 85

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(27 165 59)
Capital Outlay	<u>126 531 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>137 407 26</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Clyde, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Clyde. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

This fund is used to account for perpetual care of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 5.2756 mills, and the taxable value was \$46,358,085.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	5-35 years
Equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$274,545.99.

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	<u>851,575.09</u>

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	300 000 00
Uninsured and Uncollateralized	<u>556 537 34</u>
Total Deposits	<u><u>856 537 34</u></u>

The Township of Clyde did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	24 475 00	-	-	24 475 00
Buildings	110 158 00	-	-	110 158 00
Equipment	<u>328 910 00</u>	<u>126 531 00</u>	<u>-</u>	<u>455 441 00</u>
Total	463 543 00	126 531 00	-	590 074 00
Accumulated Depreciation	<u>(188 997 01)</u>	<u>(27 165 59)</u>	<u>-</u>	<u>(216 162 60)</u>
Net Capital Assets	<u><u>274 545 99</u></u>	<u><u>99 365 41</u></u>	<u><u>-</u></u>	<u><u>373 911 40</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Clyde does not issue building permits.

TOWNSHIP OF CLYDE
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>171 13</u>	Current Tax Collection	<u>171 13</u>
Total	<u>171 13</u>	Total	<u>171 13</u>

TOWNSHIP OF CLYDE
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	243 500 00	243 500 00	252 137 20	8 637 20
Licenses and permits	3 100 00	3 100 00	3 729 60	629 60
State revenue sharing	160 000 00	160 000 00	159 514 05	(485 95)
Charges for services – PTAF	12 000 00	12 000 00	18 290 34	6 290 34
Charges for services – other	8 000 00	8 000 00	13 093 00	5 093 00
Interest	5 300 00	5 300 00	22 250 93	16 950 93
Special assessments	1 000 00	1 000 00	1 200 04	200 04
Miscellaneous	9 100 00	9 100 00	7 981 98	(1 118 02)
Total revenues	<u>442 000 00</u>	<u>442 000 00</u>	<u>478 197 14</u>	<u>36 197 14</u>
Expenditures:				
Legislative:				
Township Board	36 950 00	36 950 00	24 255 15	(12 694 85)
General government:				
Supervisor	16 550 00	16 550 00	14 843 92	(1 706 08)
Elections	11 150 00	11 150 00	1 076 47	(10 073 53)
Assessor	25 000 00	25 000 00	22 775 23	(2 224 77)
Clerk	21 600 00	21 600 00	18 673 33	(2 926 67)
Board of Review	1 600 00	2 100 00	1 735 56	(364 44)
Treasurer	20 150 00	20 150 00	16 941 50	(3 208 50)
Building and grounds	27 600 00	27 600 00	10 009 80	(17 590 20)
Cemetery	9 000 00	9 000 00	8 206 16	(793 84)
Public safety:				
Ambulance	10 750 00	10 750 00	10 496 05	(253 95)
Fire protection	107 250 00	107 250 00	98 001 07	(9 248 93)
Police protection	23 600 00	23 600 00	16 056 53	(7 543 47)
Zoning inspector	7 500 00	7 500 00	5 419 86	(2 080 14)
Planning and zoning	22 650 00	22 650 00	14 641 88	(8 008 12)
Public works:				
Highways and streets	51 760 00	46 260 00	30 000 00	(16 260 00)
Street lights	1 900 00	1 900 00	1 803 48	(96 52)
Sanitation	16 460 00	21 460 00	19 401 81	(2058 19)
Capital outlay	<u>128 000 00</u>	<u>128 000 00</u>	<u>126 531 00</u>	<u>(1 469 00)</u>
Total expenditures	<u>539 470 00</u>	<u>539 470 00</u>	<u>440 868 80</u>	<u>(98 601 20)</u>
Excess (deficiency) of revenues over expenditures	(97 470 00)	(97 470 00)	37 328 34	134 798 34
Fund balance, April 1	<u>97 470 00</u>	<u>97 470 00</u>	<u>845 353 91</u>	<u>747 883 91</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>882 682 25</u>	<u>882 682 25</u>

TOWNSHIP OF CLYDE
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2006

Township Board:	
Fees and per diem	3 655 00
Supplies	516 60
Professional services	10 726 58
Printing and publishing	180 20
Insurance	1 643 00
Payroll taxes	7 013 77
Miscellaneous	520 00
	<u>24 255 15</u>
Supervisor:	
Salary	14 761 67
Miscellaneous	82 25
	<u>14 843 92</u>
Elections:	
Salaries	620 50
Supplies	189 93
Professional services	247 29
Printing and publishing	18 75
	<u>1 076 47</u>
Assessor:	
Contracted Services	15 550 00
Supplies	80 42
Professional services	1 250 00
Tax statement preparation	2 694 35
Miscellaneous	3 200 46
	<u>22 775 23</u>
Clerk:	
Salary	17 825 00
Salary – deputy	100 00
Supplies	748 33
	<u>18 673 33</u>
Board of Review:	
Fees and per diem	1 350 00
Supplies	385 56
	<u>1 735 56</u>
Treasurer:	
Salary	16 625 00
Supplies	316 50
	<u>16 941 50</u>
Building and grounds:	
Insurance	2 500 00
Utilities	5 693 80
Repairs and maintenance	1 816 00
	<u>10 009 80</u>
Cemetery:	
Wages	450 00
Supplies	575 51
Repairs and maintenance	7 180 65
	<u>8 206 16</u>
Ambulance:	
Per diem	735 00
Contracted services	9 761 05
	<u>10 496 05</u>

TOWNSHIP OF CLYDE
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Fire protection:	
Wages	28 017 50
Contracted services	41 332 99
Insurance	9 268 44
Utilities	1 376 14
Repairs and maintenance	9 560 41
Supplies	7 238 95
Miscellaneous	1 206 64
	<u>98 001 07</u>
Police protection:	
Professional services	6 512 27
Contracted services	9 544 26
	<u>16 056 53</u>
Zoning Inspector	
	<u>5 419 86</u>
Planning -- zoning:	
Fees and per diem	8 625 00
Contracted services	4 700 21
Printing and publishing	1 316 67
	<u>14 641 88</u>
Highways and streets:	
Contracted services	
	<u>30 000 00</u>
Street lighting:	
Utilities	
	<u>1 803 48</u>
Sanitary landfill:	
Salaries and wages	3 380 00
Maintenance and repair	15 601 39
Miscellaneous	420 42
	<u>19 401 81</u>
Capital outlay	
	<u>126 531 00</u>
Total Expenditures	<u><u>440 868 80</u></u>

TOWNSHIP OF CLYDE
Allegan County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>166 22</u>	<u>1 363 166 80</u>	<u>1 363 161 89</u>	<u>171 13</u>
<u>Liabilities</u>				
Due to General Fund	166 22	230 506 99	230 502 08	171 13
Due to others	<u>-</u>	<u>1 132 659 81</u>	<u>1 132 659 81</u>	<u>-</u>
Total Liabilities	<u>166 22</u>	<u>1 363 166 80</u>	<u>1 363 161 89</u>	<u>171 13</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 30, 2006

To the Township Board
Township of Clyde
Allegan County, Michigan

We have audited the financial statements of the Township of Clyde for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Clyde in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Clyde
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants